



# Strategic Purchasing Initiative

---

Executive Briefing  
*March 2005*



# Meeting Purpose

## Part 1

- **Objectives:**

- Review components of USMC Strategic Purchasing Initiative
  - Strategic Sourcing and Commodity Council work (external strategy)
  - Process analysis and improvement (internal strategy)
- Review actions and timeline
  - SPI Coordination w/ PPBE

- **Requested Decision:**

- Approve selected commodities for first wave Strategic Sourcing/Commodity Council work

## Part 2

- **Objective:**

- Review process improvement e-tool concept
-



# SPI Mission

PI

Conduct an end-to-end review of Marine Corps product and service acquisition practices in order to identify opportunities for improvement.

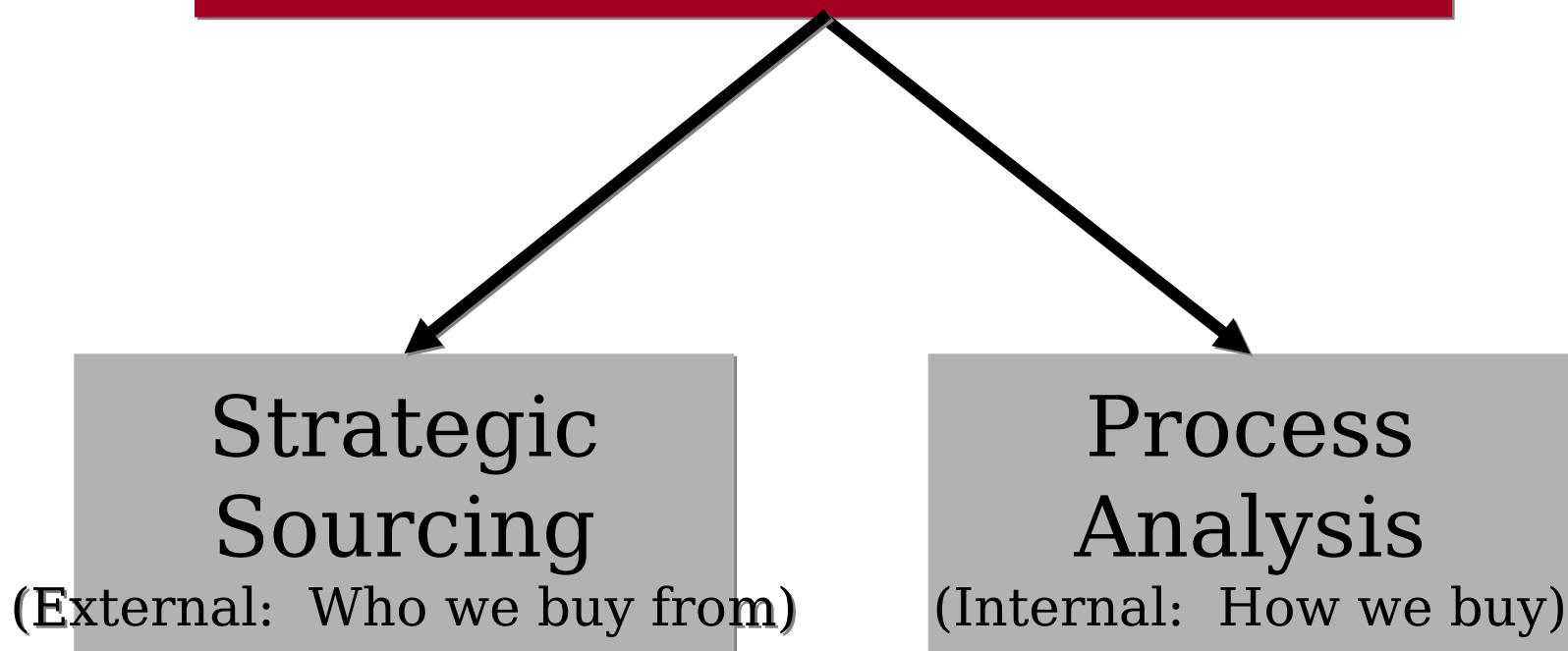
*Coordinate the development, approval, and implementation of action plans based on the following approaches:*

- (1) *Coordination with other related initiatives*
- (2) *Process mapping and analyses*
- (3) *Spend analyses - Strategic Sourcing*



# SPI Elements

Strategic Purchasing Initiative (SPI)





**PI**

# **Strategic Sourcing/ Commodity Council Work**



# Major Finding

**DoD and All Services are conducting SPI, under varying names:**

- Most align terminology w/ DoD's Defense-Wide Strategic Sourcing (DWSS)
- Most align processes with DWSS
- SPI has used DWSS CONOPS to support Commodity Council Plan



# Sample of Other Services' Commodity Councils

## Navy

- Cell Phones
  - Office Supplies
  - Furniture/Fixtures
  - Admin Services
  - Medical Services
- 
- Medical Services
  - Air Force Material (many)

- Cell Phones
- Medical Services

## DoD

- Medical Services (Army lead)
- Clerical Support (Navy lead)

## DLA

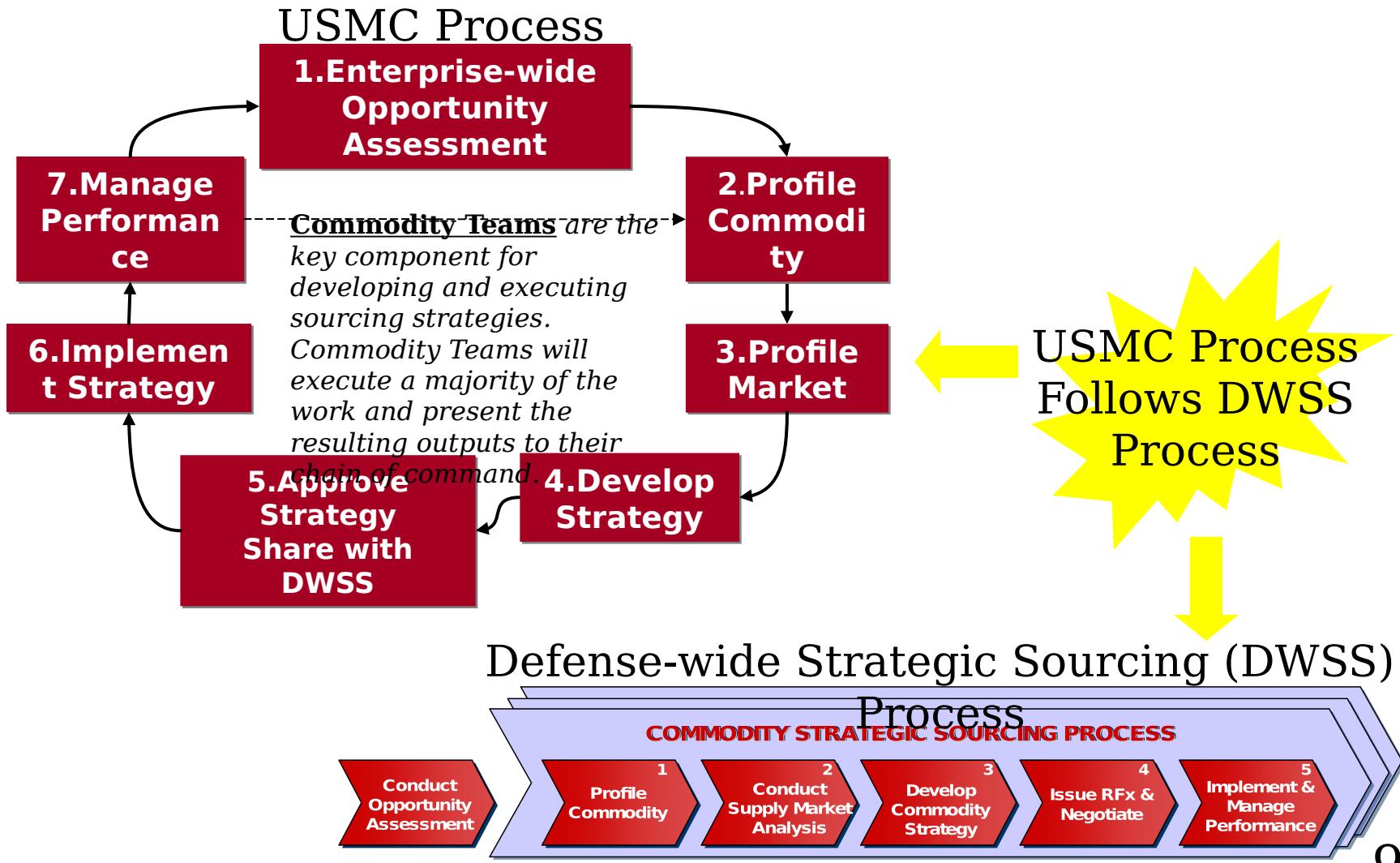
- Supplier Alliances

## TRANSCOM

- Current Rand Study



# Commodity Council USMC Process





# USMC Commodity Council Process

## 1. Enterprise-wide Opportunity Assessment

**Input:** High level spend analysis  
**Output:** List of potential commodities  
**Deliverable:** Draft CC charter

## 2. Profile Commodity

**Inputs:** Charter, Spend analysis data, Training  
**Output:** Profound understanding of commodity being procured  
**Deliverable:** Commodity Profile (data and brief)

## 3. Profile Market

**Inputs:** Spreadsheet and brief  
**Outputs:** Consultant assistance  
**Deliverable:** Market data including cost, profit, vulnerability, importance of USMC volume, management, transaction costs, economies of scale, drivers, consumer concerns, industry forecasts, etc.

**Market Profile (data and brief)** 10



# USMC Commodity Council Process

## 4. Develop Strategy

### Inputs:

**Commodity profile**  
**Market profile**  
**General policy guidance**  
**Generic strategies**

### Outputs:

**Strategy tailored to specific commodity**  
**Simple business case**  
**Estimated savings**

**Milestones for “Savings Capture Letter” for P&R programming**

### Deliverables:

**Sourcing strategy BCA**  
**Detail on source of estimated savings**

**Draft “Anticipated Savings Letter”\***  
**(warning order) from LR to RPD for potential savings and anticipated time frame for “Savings Capture Letter” (execution order)**

**Brief**



**\*Note: See Sample Anticipated Savings Letter and enclosure**



PI

# USMC Commodity Council Process

## 5. Approve Strategy Share with DWSS

Steps 1-5 =  
~6-9 months

**Inputs:**

**Output:**

**Deliverables:**

**Step 4 deliverables**

**Oral presentation**

**Go/No Go decision w/wo amplifying  
guidance**

**Anticipated Savings Letter**

**Transmittal of strategy to applicable  
contracting staff**

**Brief for (1) ESG, (2) CBC, and (3)  
DWSS SSDB**

## 6. Implement Strategy

**Inputs:**

**Output:**

**Deliverables:**

**Step 5 deliverables**

**CC consultation, background  
materials, and assistance**

**Strategy execution**

**Orders placed with applicable source**

**Savings Capture letter from LR to  
RPD**

## 7. Manage Performance

**Output:**

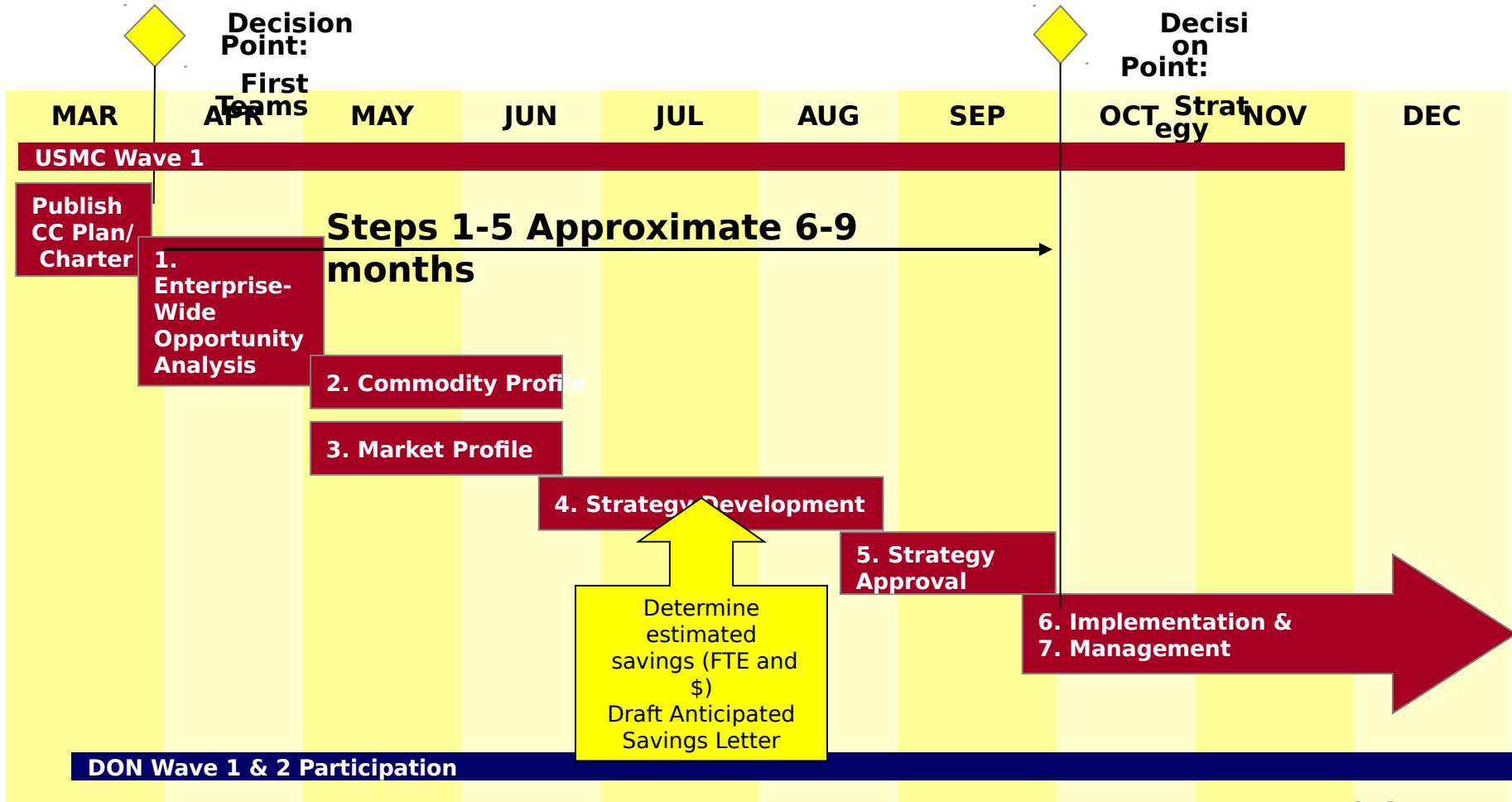
**CC transition and exit**  
**Return to step 1**

**1. Enterprise-wide  
Opportunity  
Assessment**



# USMC Commodity Team

## Wave 1 Timeline





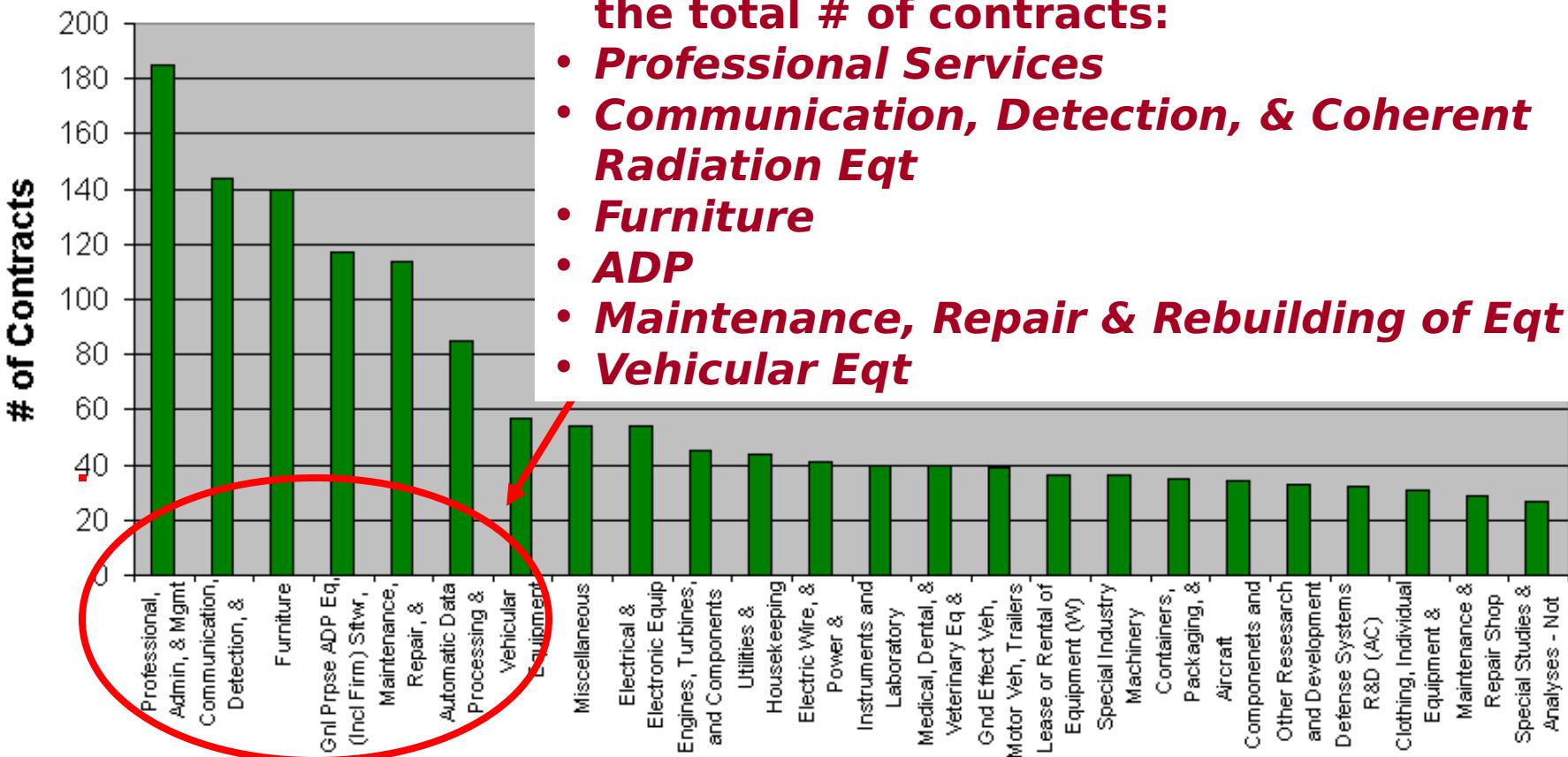
# Potential Risks to PPBE Timeline

Potential Risk	Mitigation Efforts	If Risks are Not Mitigated
<b>Lengthy contracting process for strategy implementation</b>	<ul style="list-style-type: none"><li>✓ Involving contracting personnel on commodity teams for early input</li><li>• Identify best alternative for timely award</li><li>• Streamline execution process</li></ul>	<ul style="list-style-type: none"><li>• Strategies unable to be implemented</li><li>• Savings not harvested</li></ul>
<b>Lengthy contracting process for acquiring CC support</b>	<ul style="list-style-type: none"><li>✓ Involving contracting personnel on commodity teams for early input</li></ul>	<ul style="list-style-type: none"><li>• Delay in savings</li><li>• Potential loss of funds for contract (if near year-end)</li></ul>
<b>Buy-in from commodity stakeholders</b>	<ul style="list-style-type: none"><li>• Involving stakeholder reps on commodity team</li><li>• Identifying expected savings or cost avoidance for stakeholder</li></ul>	<ul style="list-style-type: none"><li>• Strategies unable to be implemented</li><li>• Savings not harvested</li><li>• Stakeholders continue doing more with less</li></ul>
<b>Lack of clarity on P&amp;R Requirements</b>	<ul style="list-style-type: none"><li>• Obtaining P&amp;R feedback on draft “Anticipated Savings letter” and format of data</li></ul>	<ul style="list-style-type: none"><li>• Submission to P&amp;R will be ineffective and savings will not be programmed</li></ul>



# Where should we start? USMC Commodity Council Data

## Top Commodities (# of Contracts)



RAND has provided valuable baseline spend analyses, protocols, and mentoring in



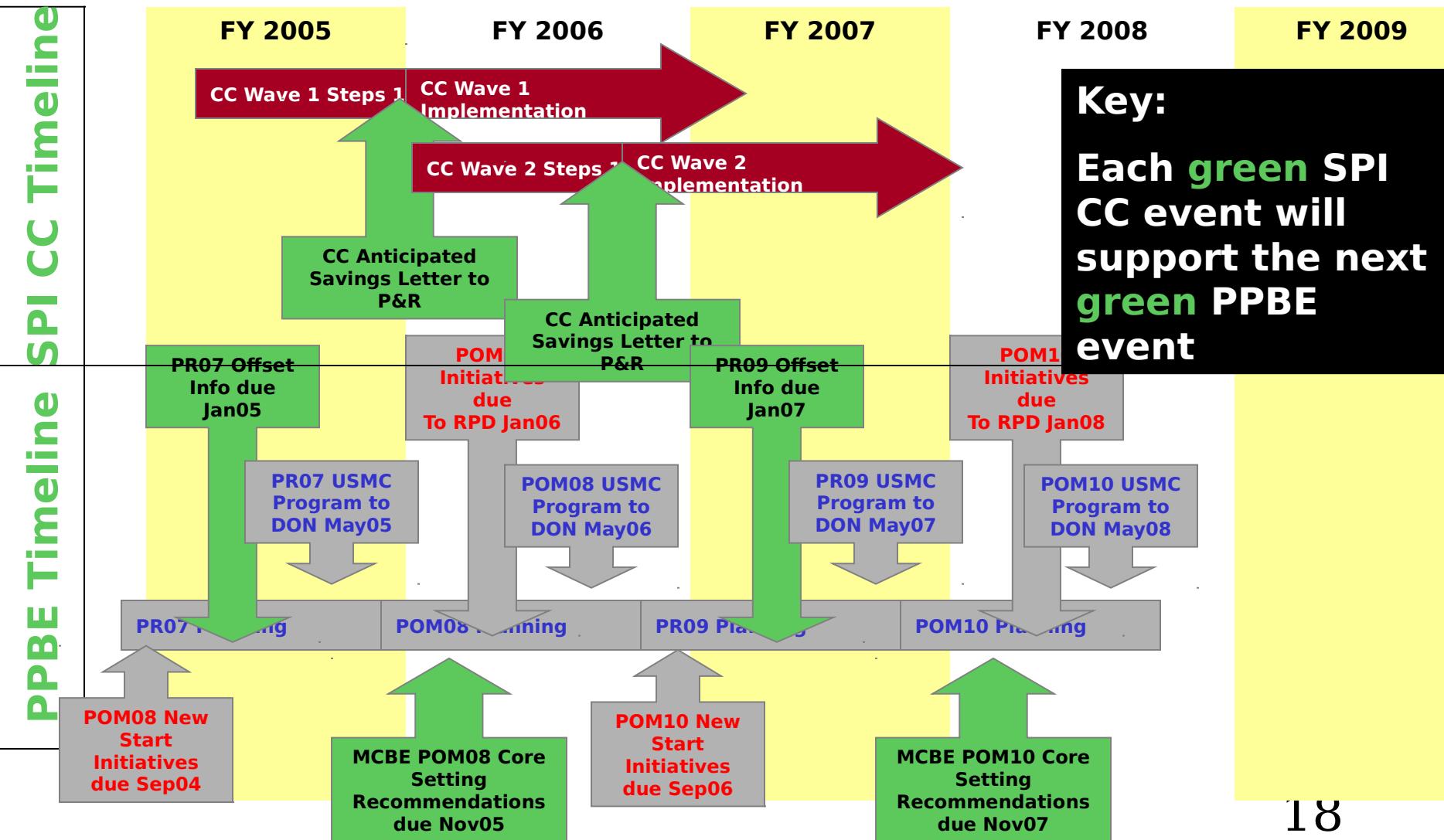
# Baseline Data

Commodity	Baseline	Year	Source	Notes
<b>MARINE CORPS LEAD</b>				
Professional Services	\$304,000,000	2003	Rand	"Rx", includes admin, excludes some technical
ADP	\$94,000,000	2003	Rand	"Dx", service only
<b>NAVY/DOD LEAD</b>				
Cell phones	\$4,625,000	2004	RFA	this may only represent portion, better data available in 05, DoD CC should have more information - researching
Furniture	\$43,000,000	2003	Rand	~50% housing
Offce Supplies	\$19,000,000	2003	DD350	
<b>OTHER AREAS OF INTEREST</b>				
Cognos Licensing	TBD			
Laundry	\$2,100,000	2003	Rand	
Base Retail Supply	TBD			Study concurrent w/ SPI
<i>Total Baseline for First CC's:</i>	<i>\$466,725,000</i>			



PI

# Timeline: SPI & PPBE





# Proposed First Wave USMC Commodity Topics

- **First Wave Tier I (USMC-lead)**
  - Professional Services\*
  - ADP Equipment and Service\*

\*Notes: *Pending SPI Executive Council approval*  
*Support contract includes option for third commodity*
- **First Wave Tier II (Other Service-lead)**
  - Furniture (Navy Lead) – USMC Rep: HQMC/I&L(LF)
  - Office Supplies (Navy Lead) – USMC Rep: HQMC/I&L(LP)
  - Cell Phones (Navy Lead) – USMC Rep: SYSCOM
  - Clerical Support (Navy/DoD Lead) – USMC Rep: TBD
- Other Areas of Interest as identified by USMC leadership will be analyzed using strategic sourcing methodologies



# Decision

- Approve selected commodities for first wave Strategic Sourcing/Commodity Council work:
  - Professional Services
  - ADP Equipment and Services

*First Step: Open communication with functional managers and stakeholders*



**PI**

# **Service Acquisition Process Analysis And Improvement**



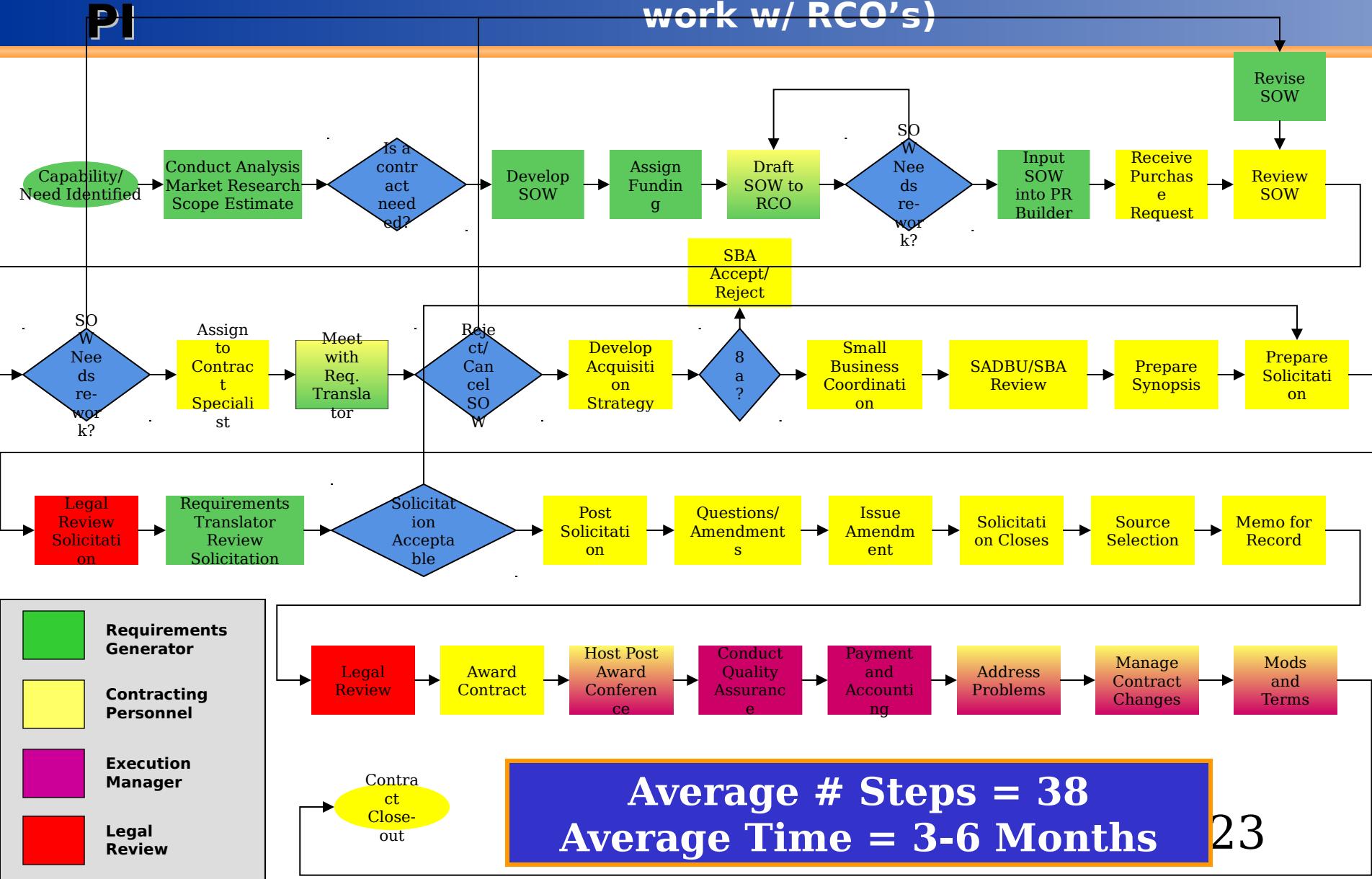
# SPI Process Analysis and Improvement

- “As-is” process maps complete (RCO focus)
- “To-Be” process maps under development
  - Integration of e-tools identified by SPI and LB:
    - Seaport e
    - Common access portal
  - Additional recommendations based on:
    - Reduced variation
    - Reduced number of process steps
  - Recommendations will be socialized w/ LB and RCO's
  - Implementation plan will include policy and training requirements



# **“As-Is” Process Map**

**(Based on Service Acquisition Transformation Initiative  
work w/ RCO’s)**

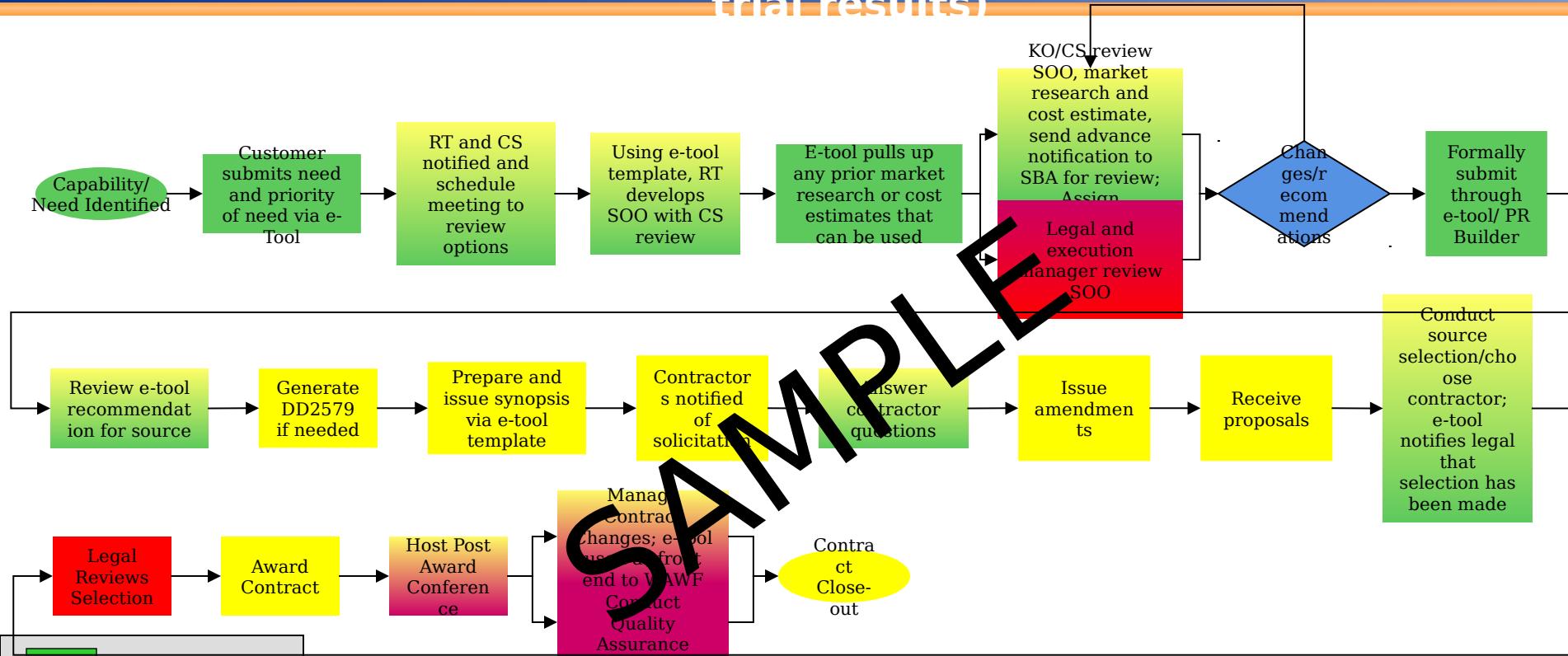


**Average # Steps = 38**  
**Average Time = 3-6 Months**



# Sample “To-be” Process Map

(Actual to-be process will be based on FY05 analyses and e-tool trial results)



Requirements Generator

Contracting Personnel

Execution Manager

Legal Review

Average # Steps = 21 (45% reduction)  
Average Time = TBD



PI

# E-Tool: Common Access/Collaboration

## ACCESS TOOL:

Provides Single Standard Access Point for all USMC Users (consumer, requirements generator, acquisition partner). Consumers will automatically follow current USMC policy. All activity will be conducted under appropriate management control.



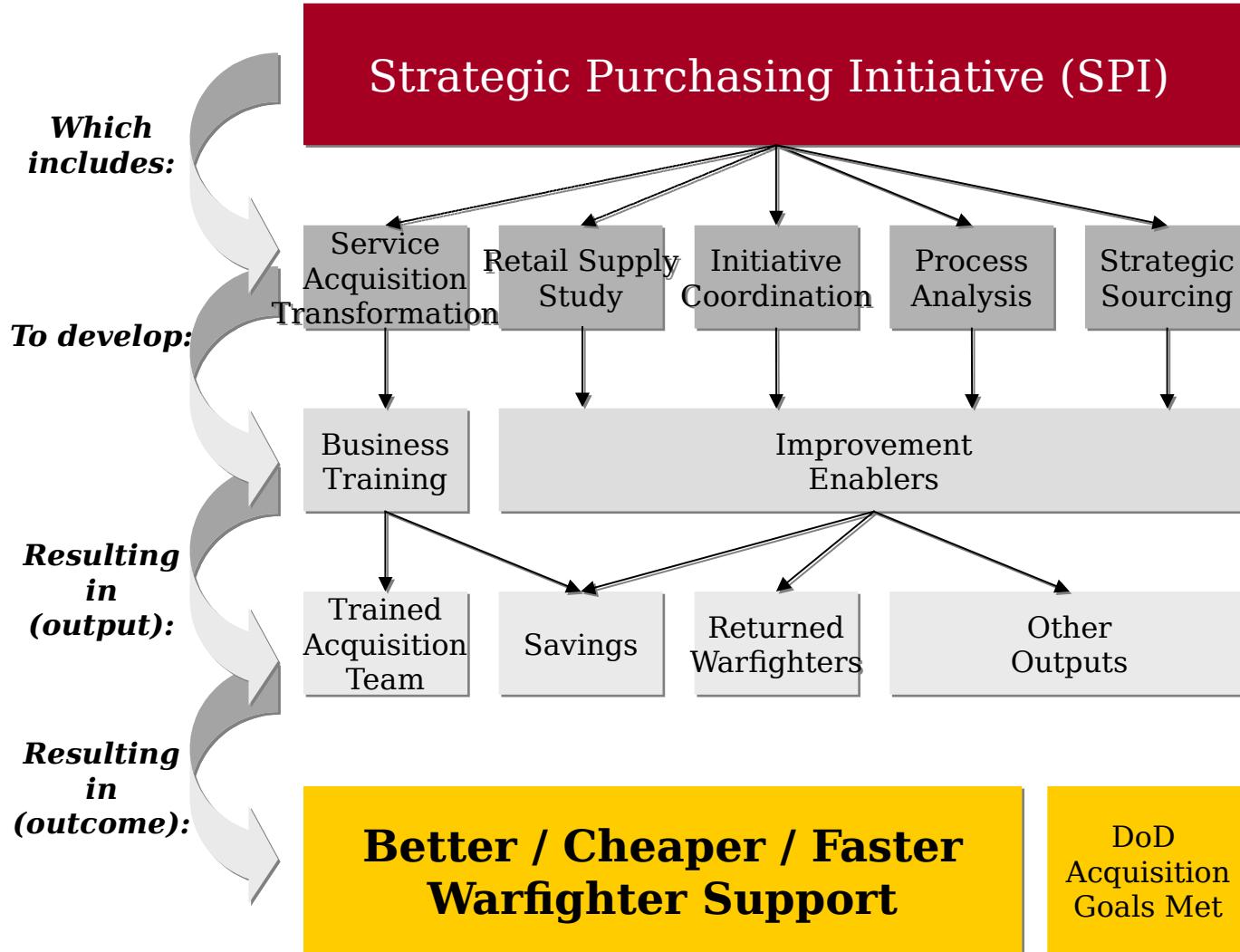


# Back up



PI

# SPI Elements

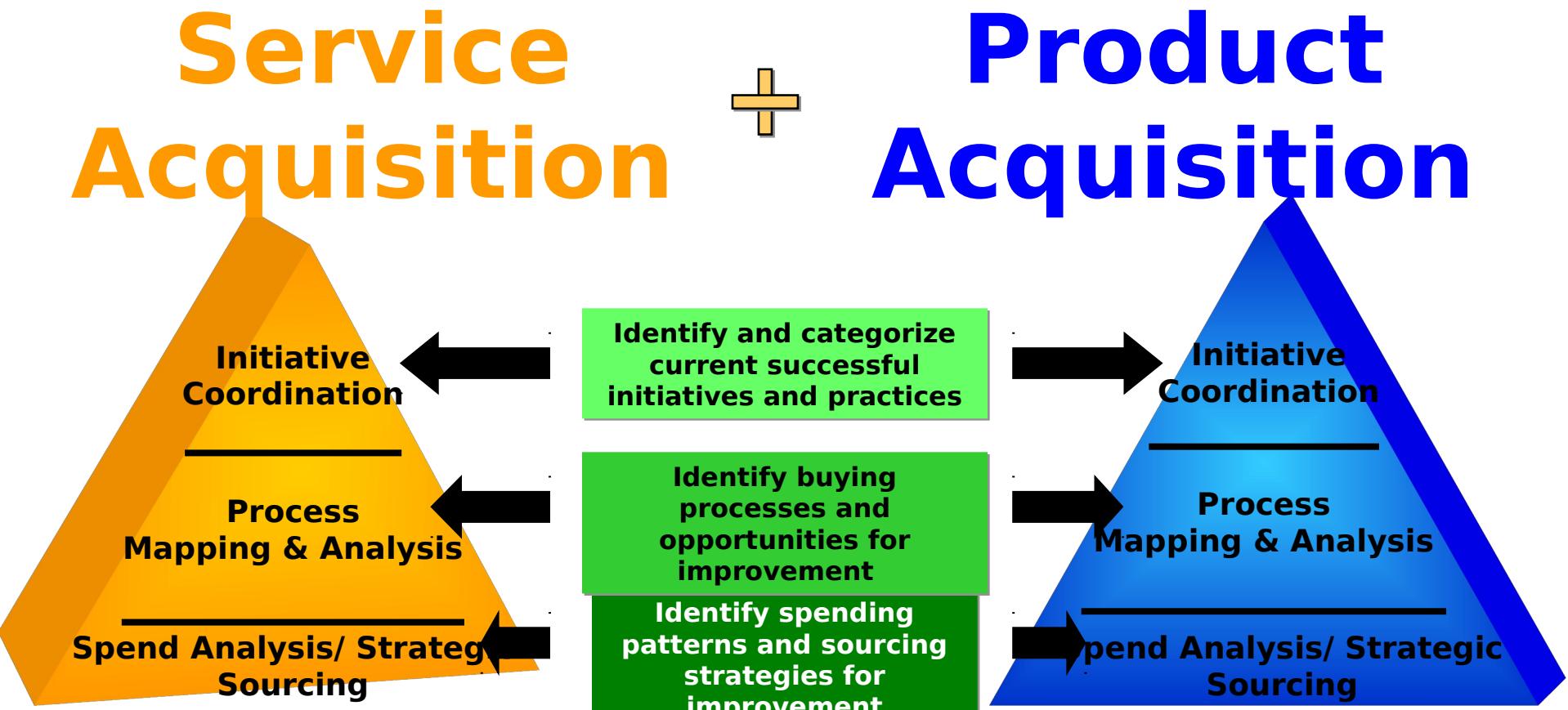




# SPI Overview

PI

*How can we improve Marine Corps purchasing of products*





# Strategic Purchasing Related Higher HQ Intent

**“Marine Corps business transformation will expand its current focus...by reaching across the entire enterprise to initiate end-to-end business process improvements that will drive innovation and change, and further increase effectiveness and efficiency.”**

MROC DM 27-2004 (12APR04)

**“Aggressively pursue Marine Corps Business Enterprise initiatives to improve end-to-end processes and ensure we efficiently and effectively allocate resources for continued warfighting excellence.”**

POM06 CMC GUIDANCE (POM SERIAL 06-09, 2 APR 04)



# Proposed Second Wave USMC Commodity Topics

- **Second Wave Tier I (USMC-lead)**
  - Maintenance/Repair/Rebuilding of Equipment\*
  - Vehicular Equipment and Spare Parts\*

*\*Note: Pending SPI Executive Council approval*
- **Second Wave Tier II (Other Service-lead)**
  - Hardware (Navy Lead) – USMC Rep: TBD
  - Medical/Surgical Instruments and Supplies (Navy Lead)
    - USMC Rep: N/A
- Other Areas of Interest as identified by USMC leadership will be analyzed using strategic sourcing methodologies



**PI**

# Resources

## INITIAL

- Spend Analysis (\$150k)
- NAVFAC (2.5 people)
- LR (.5 person)
- PBSA Resources
- IPT Participation
  - LB/LX/LF/LK
  - P&R
  - MCCS
  - SYSCOM
  - LOGCOM
  - LP (Advisory)

## NEAR-TERM (estimate)

- NAVFAC (3 people)
- LR (1 person)
- PBSA Resources
- IPT Participation
- Contract Support
  - Censeo for first wave CC's (\$450k)
  - Support for next CC's TBD
- Commodity Team Participation
- Implementation Investments
  - E-tool trial at Quantico (\$750k)

**Key Resource: Executive Commitment**



# Commodity Council Approach

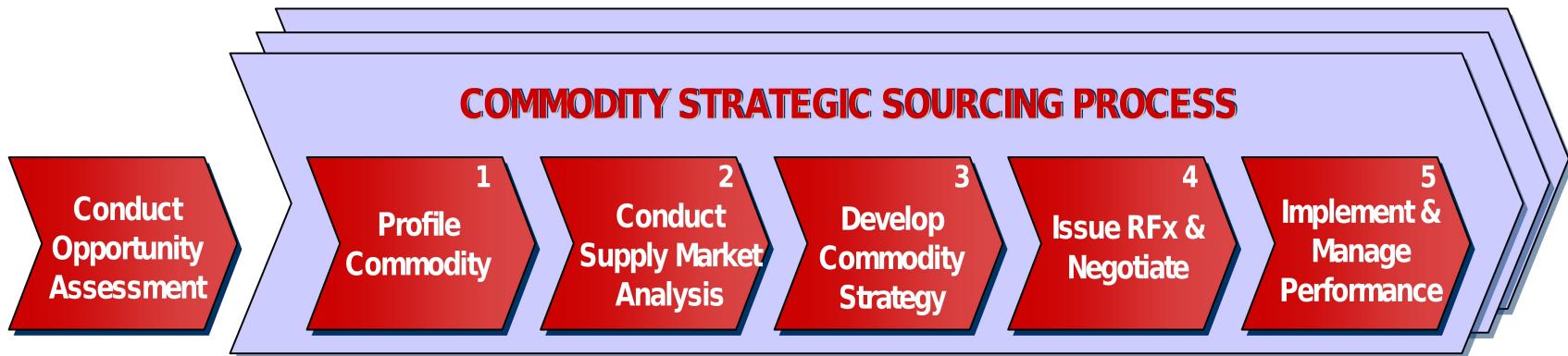
PI

USMC	OTHER SERVICES
<b>Spend Analysis:</b> USMC smaller so we start by roll up FSC/PSC's	Others are large so they immediately start slicing within FSC/PSC's
<b>Attacking hard topics first</b>	<b>Attack easy topics first</b>
<b>One pilot council launching <i>spirals</i> in many commodities</b>	<b>A few pilot councils staying within each launching <i>spirals</i> within one commodity</b>
<b>Early effort: Spinning off councils from pilot</b>	<b>Early effort: Launching successive Waves of councils</b>
<b>Learn from DoD then self</b>	<b>Learn from industry then self</b>



# Commodity Council Process

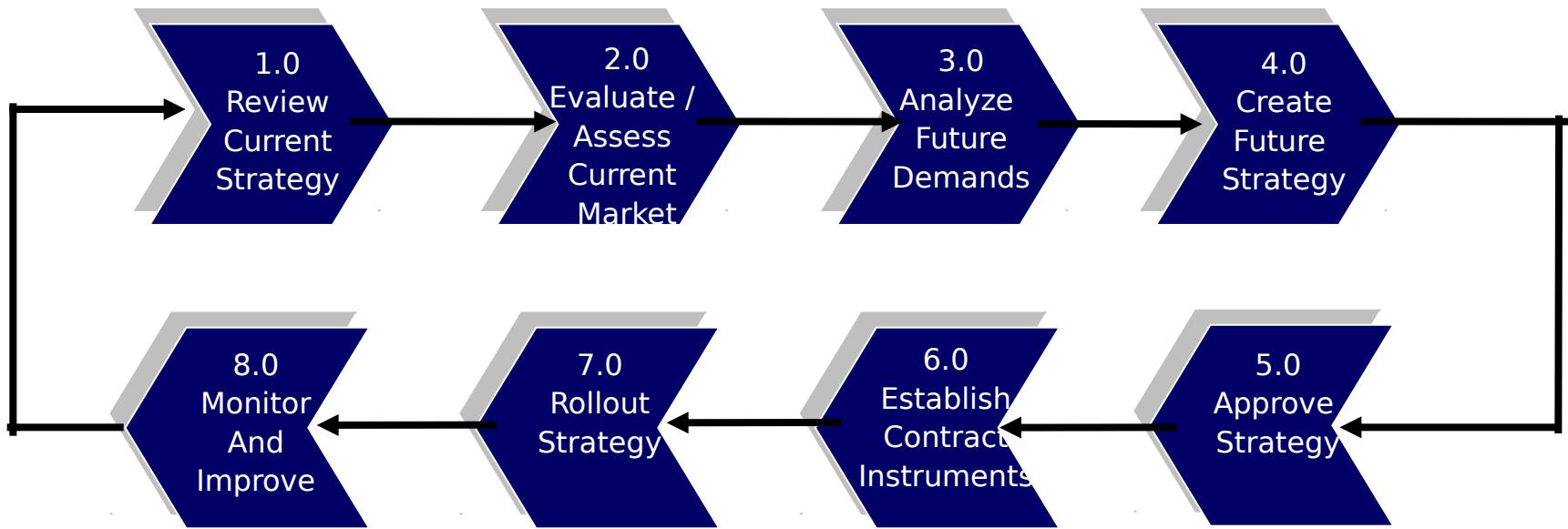
## Defense-Wide Strategic Sourcing (DWSS)



While the graphics and environments are different, the DWSS Commodity Council process is analogous to the USAF. The DWSS graphic was produced for a Navy Department pilot project.



# USAF Commodity Council Eight-Step Process



**Process for continuous improvement**



PI

Governance

# USAF Commodity Council Roles

## Materiel Governance Board

Co-Chairs : AFMC/PK & LG

ALC/PKs and CSW Director

Policy

- Set overall CC objectives and goals
- Approve CC strategies, plans and measurements
- Evaluate on-going CC performance

### Commodity Council Director

- Executes CC Mgt
- Formulates
- Accountable for CAMP
- Accountable for Cost

### Procurement Manager

- Develops contract and sourcing strategy
- Executes contract

### Sourcing Supply Analyst

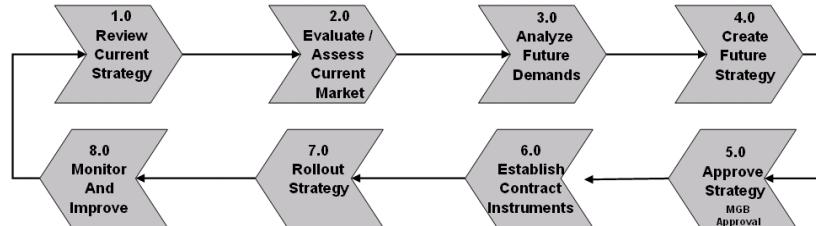
- Conducts spend and strategy analysis
- Develops/manages Supplier Scorecards

### Commodity Council Deputy Director

- Manages council
- Coordinates the matrix support team
- Responsible for assembling the CAMP

### Commodity Sub-Council Manager

- Manages commodity sub-group
- Formulates strategy for sub



### Commodity Supply Chain Analyst

- Commodity SC Strategic Planning
- Continuous Process Improvement POC

### Data Specialist

- Performs data analysis
- Ensures quality and availability of data

### Business Requirements Analyst

- Customer Relations POC
- Interpret customer needs

### Commodity Expert

- Engineering and technical expert
- TDA + Engineer
- Commodity Standardization

### Market Intelligence Analyst

- Research, analyze and interpret market research
- Builds knowledge repository



# USAF Commodity Councils

PI

Commodity Group Lead ALG# of CAGEs	Stock #s	Stock #s / KT	# Contracts	Total Contract Actions		
Aircraft Accessories	OC	460	3417	1.59	2148	3136
Aircraft Engines	OC	411	3121	1.85	1689	4018
Aircraft Structural	WR	261	2358	2.05	1148	1591
Communications Electronics	WR	808	11138	2.61	4271	7111
Instruments	OC	324	1862	1.65	1128	1576
Landing Gear	OO	130	1034	1.14	905	1154
Secondary Power	OO	45	253	1.41	180	253
Support Equipment	WR	910	3641	.88	4159	5106
<b>TOTALS</b>		<b>3349</b>	<b>26824</b>	<b>1.72</b>	<b>15628</b>	<b>23945</b>



# SPI: What's Different? Policy

	<b><u>From</u></b>  Tactical Approach	<b><u>To</u></b>  Strategic Approach
<b>Strategy</b>	Local strategies, Not Enterprise wide	Enterprise-wide strategies
<b>Organization</b>	Decentralized Maverick Buying	Enterprise wide linkages Cross-Function
<b>Processes</b>	Decentralized Inconsistent Paper Intensive	E-procurement Very Consistent 37 Paperless



# SPI: What's Different? Relationships

	<u>From</u> <b>Tactical Approach</b>	<u>To</u> <b>Strategic Approach</b>
Suppliers	Reactive relationships No collaboration	Proactive collaboration Supplier scorecards
Customers	Unsatisfied, Using Work-arounds, No Feedback	Active CRM Provider of choice
Procurement Staff	Buying Specialist, Tactical, Risk Averse	Strategic (& tactical) Sourcing Experts



# SPI: What's Different? Supplier Realm

	<u>From</u> <b>Tactical Approach</b>	<u>To</u> <b>Strategic Approach</b>
Suppliers	<ul style="list-style-type: none"><li>• Many</li><li>• Ok sources, lowest price</li><li>• Adversarial</li></ul>	<ul style="list-style-type: none"><li>• Few</li><li>• Best source, lowest TOC</li><li>• Partnering</li></ul>
Supply Base Management	<ul style="list-style-type: none"><li>• Churn short term contracts</li><li>• Diffused (roles &amp; sites)</li><li>• Primary concern - Competition</li></ul>	<ul style="list-style-type: none"><li>• Longer term contracts</li><li>• A lead long term voice</li><li>• Primary concern - Lowest total cost</li></ul>
Supplier Management	<ul style="list-style-type: none"><li>• Informally evolves</li><li>• Many contracts, contracting offices, and focal points</li><li>• Poor leverage &amp; poor trust</li></ul>	<ul style="list-style-type: none"><li>• Formally assigned</li><li>• Few larger contracts at few contracting offices</li><li>• Increased leverage &amp; trust</li></ul>



# SPI: What's Different? Enterprise Realm

	<u>From</u> <b>Tactical Approach</b>	<u>To</u> <b>Strategic Approach</b>
Teams	<ul style="list-style-type: none"><li>• Many, ad hoc teams</li><li>• Junior level personnel</li></ul>	<ul style="list-style-type: none"><li>• Fewer cross function teams</li><li>• Broader skill sets</li><li>• More senior/seasoned</li></ul>
Critical skills	<ul style="list-style-type: none"><li>• Firming up requirements</li><li>• Compliance orientation</li><li>• Incremental improvement</li><li>• Minimize management burden/participation</li></ul>	<ul style="list-style-type: none"><li>• Discretion</li><li>• Collaboration with experts</li><li>• Critical analysis</li><li>• Process improvement</li><li>• Strategic Sourcing</li></ul>
Requirement Generators	<ul style="list-style-type: none"><li>• Talk among themselves</li><li>• Functionally oriented incentives</li></ul>	<ul style="list-style-type: none"><li>• Cross functional comm.</li><li>• Cross function problem solving</li></ul>



# Commodity Council Initiative IOC to FOC

- Phase I              Initial Operating Capability (IOC)
- Phase II              Commodity Council Spin Off
- Phase III              Full Operating Capability (FOC)
- Phase IV              SPI IPT Reconstitution



# Phase I

# Initial Operating Capability

## (IOC)

- Purpose is gain CC expertise
- Main Effort is to launch initial spirals
  - Tier I Spirals: Professional Services & ADP
  - Tier II Spirals: Office Supplies & Office Furn.
- End State: At least two of the spirals result in an enterprise wide change (note a spiral may complete without resulting in an enterprise change)



# Phase II Commodity Council Spin Off

- Purpose is to clarify issues involving coordination of multiple CC's & define allowable CC variants
- Main Effort is to initiate two (2) permanent commodity councils and harvest & documenting savings
- End State: Three (3) coordinated CC & an SPI Executive Committee approval



# Phase III

## Full Operating Capability (FOC)

- Purpose is to apply (on a sustained basis) an enterprise wide approach to buying products & services IOT optimize FMF support
- Main Effort is optimizing support of USMC
  - Documenting results
  - Adjusting as needed to improve
- End State: This phase is ongoing



# Phase IV

## SPI IPT Reconstitution

- Purpose is split the two roles of the SPI IPT
  - Residual CC efforts (if any)
  - Working level oversight of other CC's
- Main Effort is to develop a decision brief that explains the two roles.
- End State: The SPI Executive Committee approves the decision brief



# SPI Stakeholders

